The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. —James Monroe

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Capital Conferences Turn to Money Issue

Roosevelt and Visiting Statesmen Shift Attention to Currency Stabilization Plans

PREPARE FOR ACTION ON GOLD

Hope to Work Out World System That Will Reopen Trade Channels

As this paper goes to press, the conversations in Washington between President Roosevelt and visiting statesmen from abroad are in full swing. Prime Minister MacDonald is leaving. Former Premier Herriot of France remains. Others are coming. The results of such conversations as have taken place have not been given out. It is too early to anticipate the consequences of the efforts which are being made to bring about economic coöperation among the nations. It is known, however, that the abandonment of the gold standard by the United States has given a new turn to the conversations or has at least placed a new emphasis upon the subjects under consideration.

These conversations, which are intended to pave the way for the World Economic Conference to be held sometime this summer, were to be given over largely to discussions of tariffs. They were to deal also with international debts and they were to take up currency problems. Now, tariffs and war debts and security and disarmament and all other international issues are dwarfed by the overshadowing money problem.

When an Englishman buys goods in America, he must, in order to pay for them, change his English money into American money. He must change his pounds into dollars. When an American buys goods in England, he must, in order to pay for them, change his dollars into pounds. That was easy enough in the old days when the relation between pounds and dollars was fixed. One knew that it took $4.86 of American money to buy an English pound. The American knew how much of his own money he would have to spend in order to buy an English article with a one-pound price mark on it. The Englishman knew how much of his own money he would have to spend in order to buy an American article with a five-dollar price mark on it. Traders made their plans accordingly. They made these plans in advance, as traders must always do when they carry on international commerce. Trade among the nations, then, proceeded easily.

Why Foreign Trade Lags

Trading is very difficult now for both England and the United States are off the gold standard. Neither the dollar nor the pound has a fixed value. They fluctuate with relation to each other. Sometimes it takes more American money and sometimes less to buy an English pound and the same thing is true with the English money used to buy an American dollar. So, the American does not know how much of his money it will take to buy an English article with a certain price mark on it and the English trader is similarly in the dark. This is true not only of traders in England and America; it is true among most of the peoples of the world, for

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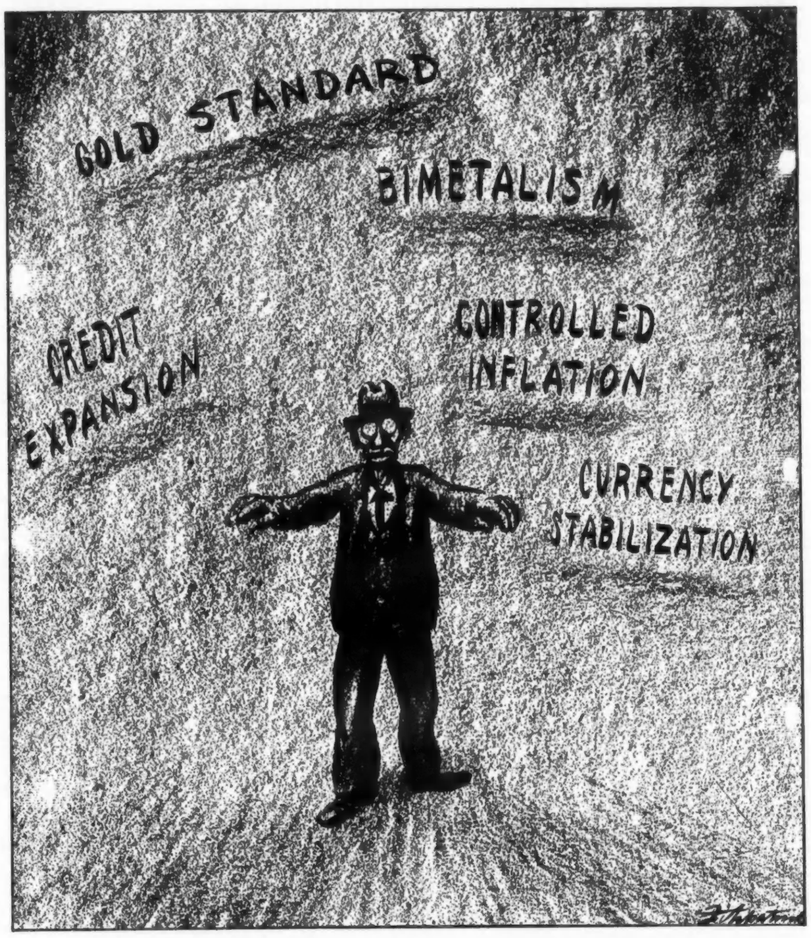


—*Fitzpatrick in St. Louis* POST-DISPATCH

MAN IN FOG

Living Upstairs

"We are all conscious of living our moral life, as it were, in a two-storied house," says Ernest Dimnet in "What We Live By." "Downstairs goes on what has too evident a claim to the painful label: ordinary. Upstairs we have a different outlook and associate with better company." We are living downstairs, according to the figurative conception of Abbé Dimnet, when our minds are taken up with such perversities or trivialities as narrow ideas, petty sentiments, small grievances, small triumphs, egoism, conceit, self-praise, gossip, flattery, flirtations, time killing, continuous radio, vanity or pretense. We are living upstairs when we are indifferent to trifles, when we read with a purpose, study great issues, read good books, listen to good music; when we are devoted to a cause or an idea, or when we practice kindness, forgiveness, patience and real religion. Each list could be extended indefinitely. Each one of us might profit by making lists for ourselves. We should not give too much time to them, for it is possible to analyze ourselves so much that we become oversensitive, self-conscious and moody. But a moment of reflection now and then is an excellent thing. Critical self-analysis, not only of our actions but of our thinking, will convince each candid person that part of his time is spent on levels no higher than those common to the most ordinary, the most uncultured, the least aspiring individuals. One has only to listen to conversations among college or high school students, to snatches of conversation in the hurry of the subway or in the quiet of the living room, to be impressed by the ordinary nature of most people's thoughts most of the time. A common form of conversation on lower levels consists of banter and attempts at humor, harmless of themselves but tiresome when resorted to hour in and hour out without interruption. How much better it would be if there were periods of serious thinking and discussion, interspersed by sallies of spontaneous and sparkling humor! Part of the time of each of us is spent, of course, on levels to which we have attained by the exercise of effort and thought; levels reached only by the highest type of individual or by ordinary persons during their best and most aspiring moments. We grow in strength and beauty of character by spending an increasing share of our time on the upstair levels. "In some way or another we want to be aristocrats," says Abbé Dimnet. "We have no doubt in our heart of hearts that true felicity is inseparable from distinction, and when we enjoy cheap good times downstairs we never cease to be aware that there could be a different kind of happiness upstairs. . . . A sure instinct guides us because there are in us two tendencies which seem inseparable and irrepressible: the longing to live happy and the dread of dying ordinary."

U. S. Abandons Gold Basis as Price Aid

Roosevelt Declares Embargo on Export of Metal. Value of Dollar Declines Abroad

INFLATION MEASURE PRESENTED

Bill Would Give President Control of Nation's Monetary System

"The United States Goes Off Gold Standard." So the headlines ran the evening of April 19. And everyone was asking, "What will happen now?" "What does it mean to be off the gold standard?" They have been asking these questions since. There is much confusion; much ill-considered speculation. There is marked difference of opinion as to probable consequences. Certain facts necessary to an understanding of the gold problem stand out, however, clearly enough.

A nation is said to be on the gold standard when the money which is in circulation (usually this is paper money) may be exchanged for gold at a fixed price. Since 1900 it has been possible for any one in this country to exchange his paper money for gold at the ratio of 25.8 grains of gold nine-tenths fine (the standard gold dollar weighs 25.8 grains; nine-tenths gold and one-tenth alloy) for a dollar. A dollar has had a fixed price in terms of gold. It has had the same value that 25.8 grains of gold has had.

Fluctuating Values

It follows, of course, that the value of the dollar has fluctuated just as gold has fluctuated. While a dollar has always been worth the same amount of gold, it has not always been worth the same amount of commodities. Gold has gone up in value during recent years. A given amount of gold could be exchanged for an increasing amount of clothing or food or other goods. Since the dollar was attached to gold, the dollar was also going up in value. A few years ago, for example, a dollar (or 25.8 grains of gold) could be exchanged for a bushel of wheat. Now the dollar is worth so much more that it can be exchanged for two bushels of wheat. A few years ago one was obliged to give forty or fifty dollars for a suit of clothes. Now he can secure the same suit by exchanging for it twenty or twenty-five dollars. We do not usually speak of an increase in the value of gold or of the dollar. We look at the process from the other side and say that wheat and clothing and other goods have fallen in value. We say that prices (meaning prices of commodities, priced in terms of gold or dollars exchangeable for gold) have gone down. But the facts are the same, however we express them.

Many people, nearly all people, in fact, have been hurt by the falling prices. Nearly everyone would like to see a rise of prices. Debtors would like a price rise because they could then more easily secure money with which to meet their obligations. Business men would profit by a rise because then they could secure more for their products and their profits would be increased even though their costs of production would also rise. Creditors might be expected to like lower prices, since debtors are obliged to pay them fixed sums of money, and if prices should fall,

the fixed sums of money would buy more. But when prices are going down, times are likely to be so hard that debtors cannot pay at all, so even creditors suffer. The general wish for rising prices can, therefore, easily be understood.

Gold Standard and Prices

But what have falling prices to do with our going off the gold standard? Just this: Many people believe that the way to raise prices of steel, clothing, food and all other commodities is to make the dollar cheaper. We can't exchange the value of gold, perhaps, for we cannot materially increase the amount of it, so as to make it cheaper—so as to make it exchange for fewer commodities, thus rendering the commodities dearer. But we can separate the money which we use from gold. The paper money will then cease having the value of gold. If the paper dollar can no longer be exchanged for 25.8 grains of gold, it will no longer, necessarily, be worth the same as that much gold is worth.

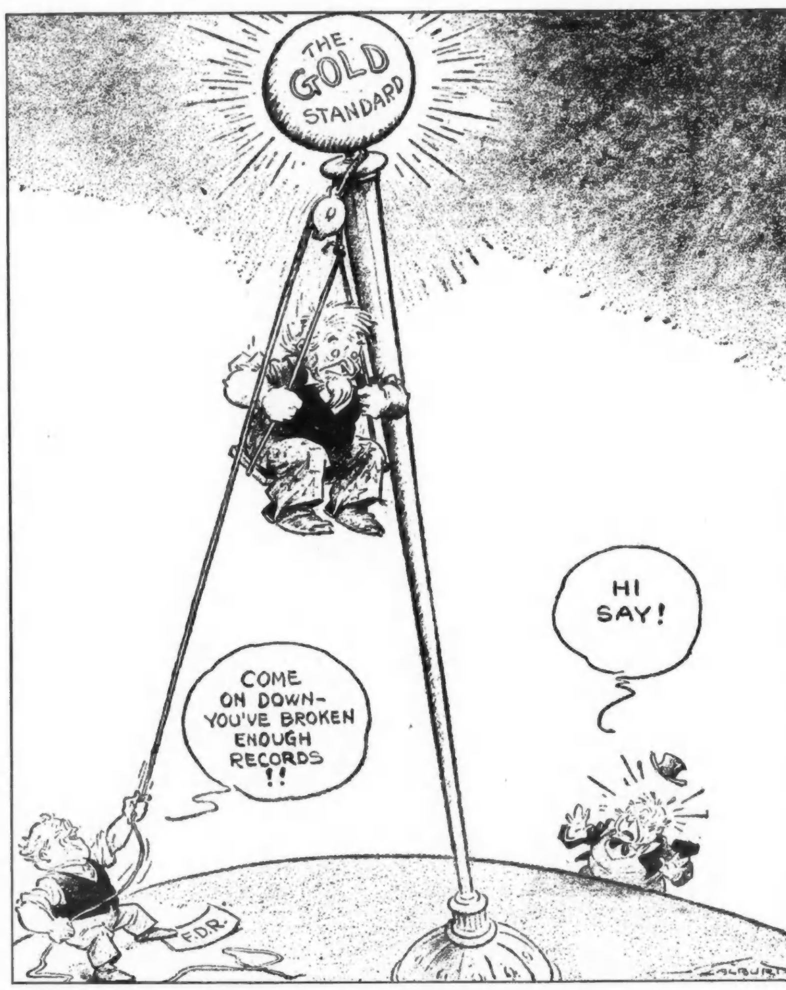
And here is another point. Though we cannot readily increase the amount of gold, thus rendering it cheaper, we can quite easily increase the quantity of paper money in circulation. Thus we can, so the argument goes, make it plentiful and cheap. We can thereby create a condition under which paper dollars will not be worth so much of any kind of goods. A dollar may be made to be worth only one bushel of wheat again, instead of two bushels. In other words, wheat may be made to be worth a dollar a bushel again instead of half a dollar. And all other prices may be similarly raised.

It was in response to arguments of this kind that the United States went off the gold standard. We were not pushed off by economic necessity, as England was in the fall of 1931. We might have been later. No one can say to a certainty. But it can be said that American abandonment of the gold standard two weeks ago was a voluntary act taken as a step—one of several contemplated steps—toward the goal of higher prices. Many people appeared to assume that going off gold would result automatically in higher prices. They thought that paper dollars, when no longer exchangeable for gold, would immediately depreciate in value. But that did not happen, and it will not happen automatically. The day after we went off the gold standard the paper dollar in your pocket looked just as big to you as it looked the day before. It looked just as big to the man with whom you exchanged it over the counter for goods. The day after we went off gold, teachers' salaries remained the same. Wages remained the same. Prices were not marked up in the market places. The dollar retained its old value.

Foreign Trade Effects

There is little reason to believe that our going off the gold standard will of itself raise prices in the United States except in so far as it may stimulate the export of goods to other countries. It may increase the foreign demand for certain of our products and in that way stimulate business and prices here, at least temporarily. When American money can no longer be exchanged for gold, it may be expected to depreciate in value somewhat in foreign countries. It has already done this. The day after we abandoned the gold standard, a dollar could be bought in England for about 10 cents less than its price of the day before. An English pound in terms of our money cost about 30 cents more. The dollar afterward went up again in England. But it may be expected that it will fluctuate back and forth as the pound did after England went off the gold standard. Let us see now how a dollar of fluctuating value may affect trade between the United States and other countries—England for example.

A few weeks ago an Englishman could take a pound of English money and buy with it American money to the amount of about $3.25. Let us suppose that this Englishman was an importer of shoes and that he was thinking of buying a consignment of shoes manufactured by an American company. He could buy these shoes for $3.50 a pair. Similar shoes in England cost a pound. He could not afford to import the shoes at that figure because he could take his pound and exchange it for only $3.25. He could not buy the shoes with that much money. It would pay him to take his pound of money and buy the English product. But now suppose, as a result of our going off the gold standard, that the dollar after a while should fall in value so that with a pound he could purchase $4 of our money. He could then take the $4, pay $3.50 of it for the American shoes and have 50 cents left. For the sake of the simplicity of the explanation, we are leaving out questions of freight and tariff.



ANOTHER POLE SITTER COMES BACK TO EARTH
—Talburt in Washington NEWS

An International Issue

In this case, our going off the gold standard would give American producers an advantage in foreign markets to the extent that the dollar depreciated in value. It would help American export trade. It would, of course, hurt certain home producers in foreign countries. The English shoe manufacturers, for example, would be hurt by our going off gold. It is such possibilities as these that cause alarm in foreign nations because of the action our government has taken. It looks to them as if we were manipulating our money values in order to gain an unfair advantage over them. But most of the other nations, it will be remembered, have also gone off the gold standard, so that nearly all currencies are fluctuating. That is why it becomes so necessary for the governments to get together and to find some way of agreeing upon the value money shall have in all nations. One of the several objectives of the Washington conversations now going on, and of the World Economic Conference to be held this summer, is to stabilize the value of all currencies.

But to get back now to the example we have been considering. The American shoe manufacturer may have a temporary advantage. He may find a new market for his products. The increased demand may enable him to raise prices. The same thing that is happening to him may be happening to the wheat farmer, the automobile manufacturer and other American producers. This may produce an increase, though probably not a very large one, in American prices. But if the prices go up for a while, the time will soon come when the foreigners can no longer afford to buy the goods from us. If, for example, the shoe manufacturer raises the price of his shoes from $3.50 a pair to $4 a pair, the British will quit buying them. Then, the prices here will fall again, or at least remain stationary. There is clearly a limit, therefore, to the price rise we may expect through gaining an advantage in foreign markets.

There is another angle to this problem. Many of our manufacturers must buy their raw materials from foreign countries. They must, of course, pay for these materials in foreign money. If our dollars depreciate in value, they will buy less of the foreign currencies. The cost of the materials will therefore be increased. What American producers may gain by going off the gold standard in a readier foreign market for their goods they may lose owing to the increased costs of production.

Inflation Possibilities

So much for the abandonment of the gold standard and its effects. The effects are likely to be less than has generally been supposed. The abandonment of the gold standard of itself will probably not change the situation very greatly. But, as we said a while ago, going off gold is but one of several steps which the administration proposes to take for the purpose of raising prices. The president and his advisers have submitted to Congress a so-called inflation bill which gives the president power to use one or all of several different means to attain that end.

In order to understand the significance of this inflation bill we must examine it against the background of the inflation movement which has been gaining great headway during recent weeks. Political observers have watched the growth of this movement for months. They have seen it gain in momentum as prices dropped ever lower and as debt burdens became ever more unbearable. Farmers have always been inclined to turn to inflation of the currency when prices have gone down, and so it is not surprising that the demand for inflation has gained great momentum in the agricultural section. Usually such demands have been opposed unitedly by the large business interests, but now many industrial concerns are themselves burdened with debt. Others are facing bankruptcy because of constantly falling markets. And so we have a considerable element of the business community joining with farmers and with a certain school of economic theorists in the call for currency expansion as a device for the raising of prices. The inflationists have gathered such strength in the Senate that on April 17 they mustered thirty-three votes in favor of the free coinage of silver and the establishment of a gold and silver standard instead of the gold standard. They were beaten by but ten votes and they did not poll their full strength, for several senators in sympathy with the movement voted against free silver because President Roosevelt opposed it and because they thought he should be given a chance to work out a price-raising program before Congress took the matter out of his hands.

The President's Position

At this point the president took decisive action. Here is what he said, in effect. It should be emphasized that the words in quotation were not uttered by the president, but they represent the position which he took: "I agree with the inflationists that prices must be raised. Prices in general should be raised until they are about as high as they were during the period from 1926 to 1928. I agree that some sort of inflation may be necessary to bring about that result, but there are a number of means by which currency and credit inflation may be brought about. None of us knows to a certainty as yet which forms of inflation should be applied. Congress should not at this time, therefore, take irrevocable action. It should not commit the government to free silver or to any other form. I am asking Congress, therefore, to leave the matter in my hands, to specify a number of the most promising inflationary devices, to authorize me to use any or all of them if and when I see fit to use them in the campaign which I pledge myself to carry on for the raising of the price level." A bill was once introduced, with administration approval, into the Senate by Senator Thomas of Oklahoma, a leader in the inflation movement. This bill empowers the president to do any one of several things, but obliges him to do none of them. Here are the steps, any, all, or none of which the president may take under the terms of the bill:

Open Market Operations

(a) He may direct the Treasury to induce the Federal Reserve Board and the Federal Reserve banks to buy government bonds up to $3,000,000,000—bonds which are now held by banks throughout the country. This system of buying is called "open market operations." It is really nothing new. It was tried under the Hoover administration. The idea was that the Federal Reserve banks should buy up government bonds held by other banks. This would give the banks a supply of ready money. It would thus put them in a position to make loans to business men and would stimulate industry. The plan failed completely when tried before. It turned out that even though the banks having sold their bonds, came into the possession of money, they would not lend it because business was so bad that loans were not thought to be safe. Furthermore, industrial concerns did not want to borrow money because they feared that they could not put it to profitable use. It was seen that this idea, designed as an inflationary step, could not work, owing to the fact that the trouble with the banks was not that they did not have money to lend. The trouble was that business was bad and money could not safely be put to use. It is apparently the hope of those sponsoring open market operations at this time that conditions are now more favorable for the lending and borrowing of money than they were when the plan was tried more than a year ago. It is not at all certain, however, that the plan, if tried now, would result in inflation or in such a stimulation of business as would raise prices.

Irredeemable Greenbacks

(b) The president is authorized, if these open market operations do not succeed, to issue paper money—irredeemable greenbacks, up to the amount of $3,000,000,000. It might be supposed that the issue

(*Concluded on page 8*)

THE WEEK

HERE is the record of Congress for the week ending April 18.

SENATE. Continued debate on the administration's farm relief bill. Banking and Currency Committee favorably reported the Thomas "controlled inflation" bill, which was later debated on the floor.

HOUSE. Passed the Wagner-Lewis $500,000,000 relief bill providing outright gifts to the states. Reversed action taken by Congress last season by shifting the electricity tax from the consumer to the producer of electric power. Debated Muscle Shoals bill. Interstate Commerce Committee favorably reported the St. Lawrence waterway resolution.

Federal Gifts to States

The House has passed the Wagner-Lewis bill which provides that $500,000,000 be granted outright to states for relief purposes. As the Senate approved a similar measure a few weeks ago, the states are certain to be provided with federal funds to aid their destitute. According to the House bill, $250,000,000 will be given to the states—not as loans, but as gifts. The remaining $250,000,000 will be made available to those states that will agree to spend, for relief purposes, three dollars for every dollar received from the federal government. Not more than 15 per cent of the total can be given to any one state.

Revolutionary Measure

A few weeks ago President Roosevelt put Frances Perkins, secretary of labor, to work on the problem of labor in industry. On April 19 she presented a bill to Congress which calls for a virtual government dictatorship over production, wages, and hours of labor in all industries, the goods of which are shipped in interstate commerce. The measure is revolutionary in nature, but those in favor of it say that these are revolutionary times and that therefore drastic, swift action must be taken if we are to loosen ourselves from the grip of depression. One of the provisions of the Perkins' bill states that "the secretary of labor is authorized to specify a limitation upon the total hours of operation of any plant when it believes the operation of the plant is disturbing and preventing a fair balance of production in the industry involved and is bringing about overproduction or unfair competition." This section of the bill, of course, is designed to prevent overproduction.

The six-hour day and five-day week would also be established in all mines and factories engaged in interstate commerce with the exception of seasonal industries such as canneries. (This provision is modeled after Senator Black's thirty-hour week bill). Furthermore, a board would be established to establish "a wage fairly and reasonably commensurate with the value of services rendered or sufficient for the maintenance of a reasonable standard of living." The Perkins' bill is now before the House Committee on Labor where it is expected to remain for several days to allow leaders of industry and labor to give their opinions of it.

Two-Cent Stamp

The House of Representatives on April 20 passed a bill to reduce local letter postage (where the receiver lives in the same city as the sender) from three to two cents. Since the adoption of the three-cent rate, fewer letters have been mailed. Correspondents have been curtailing their writing activities. Business firms have been using post cards as much as possible. Less revenue has been collected under the three-cent rate than when the two-cent stamp was in circulation. Therefore, it is thought that the Senate will approve the House postage bill.

Another section of the bill calls for the continuation of the one-cent federal gasoline tax throughout the coming fiscal year. Gasoline is usually considered a source of revenue to be reserved for the states, and much criticism has been launched against the federal government for entering this field of taxation.

Bonds for Small Investors

In order to meet the government's heavy obligations which fall due during the next month, Secretary of the Treasury Woodin has decided to float a $500,000,000 bond issue. These bonds, or treasury notes, will be in small and large denominations—$100, $500, $1,000, $5,000, $10,000 and $100,000. The notes will bear interest at 2⅞ per cent, and will mature in three years. A definite effort of this kind to sell government bonds to the small investor has not been pressed on a large scale since the Liberty Loan drives to finance our war operations. At that time people rushed to buy government bonds because it was considered patriotic to do so. A similar appeal is expected to be made by the government in offering its securities now, if the public seems hesitant about buying them.

Trade War

The trial of the six Englishmen who were arrested some time ago in Moscow on charges of maliciously wrecking major Soviet power plants and of collecting military information for England, drew to a close a little more than a week ago. Three of the Britishers were forbidden to return to Russia for five years; one was pronounced innocent; one was given a two-year term and another a three-year term. Even though these sentences were much lighter than had been anticipated, England placed an embargo on nearly all Russian products. The Soviet government, angered by England's move, retaliated by forbidding any British products from entering Russia and by refusing to allow Soviet firms to charter cargo vessels flying the British flag. A serious trade war has developed between the two countries.

Because of the break with England and due to the fact that the Hitler government in Germany is such a bitter foe of communism, there is said to be a strong desire among Soviet officials to trade with the United States instead of these two nations. Many in this country are urging President Roosevelt to resume diplomatic relations with Russia at once, in order that our products may have a vast new market.

Taking Advantage

The Japanese push on and on. While the rest of the world is tragically absorbed with the question of how to lift itself out of the abyss of hard times, Japanese troops move farther into the interior of China. Only last week Nipponese air forces bombed several towns located a few miles from the important cities of Tientsin and Peiping. In addition to causing considerable damage to Chinese property, these planes also wrecked several American missions and barely missed taking the lives of several hundred American school children. Our government is expected to protest these bombings and to request the Japanese government to pay for losses incurred.

The Sino-Japanese dispute, although pushed to a place of secondary importance in the news, continues as one of the most acute problems confronting the statesmen of the world. Before long, the Roosevelt administration will have to declare its Far East policy.

Our Quarterback

In speaking of his recovery plans the other day, President Roosevelt made an interesting comment on his political methods. He said his position might be compared to that of the quarterback on a football team. The quarterback knows what his next play is to be, but he cannot plan his signals too far in advance. If a certain play succeeds, one line of attack may be followed; if it fails, another may be tried. And so the president says it is with him. He is engaged in a game to beat the depression. He knows what he will do immediately. What he will do following that depends upon the success of the immediate undertaking. In each case his action will depend upon the circumstances. He is out to raise prices, to increase production, to put people to work. He will try first one program of action and then another, always keeping his goal in mind.

A Bad Situation

Five thousand Chicago school teachers, who have not received any salaries for nearly a year, created quite a stir last week. They entered, by large groups, several of the large downtown banks and demanded that the pay tellers buy the Board of Education's tax anticipation warrants. These warrants were given to the teachers in place of salaries. They are promises to pay when back taxes are collected. But the teachers, who are in desperate need are tired of promises, insisted that the banks cash these warrants to the full amount of their value. The banks refused but the teachers did not yield. They caused such a disturbance that three large banks were forced to close their doors until order was reëstablished. At the same time that the banks were being raided, other large groups of the teachers surrounded the offices of Governor Henry Horner and Mayor Edward J. Kelley. Both the bankers and officials answered the teachers' protests by declaring that the city could not pay them until property owners paid their taxes and that taxpayers could not be compelled to pay until the state legislature gave the city government power to make them do so.

Miss MacDonald Says

Miss Ishbel MacDonald, daughter of the British prime minister, addressed the Women's National Press Club the day after her arrival in Washington. She said that a reduction of hours for workers is essential to world recovery. "One of the reasons there is so much unemployment," she declared, "is because we are still going on living in the old ways and are not adjusting ourselves to new discoveries. We mustn't go on saying, 'Well, we have never done this. We have always worked so many hours a week, the workmen have always been working so many hours a week.' We must say, 'Well, if we are going to help workmen, we must have some adjustment. We must see that they are working less hours, let us say, or that they are earning enough to live upon. We must have open minds and adapt the economic system to fit this advanced time.' "

Red Cross Convention

The annual convention of the American Red Cross was held in Washington several days ago. More than 1,000 delegates attended. Plans were mapped out at the meetings to strengthen the organization's line of defense against unemployment and poverty. Mrs. Roosevelt presented the "Roll Call Honor Flag" to the state of Montana, represented by Senator John Erickson, for having the highest enrollment of members in proportion to its population.

Geneva Discussions Continued

The disarmament conference at Geneva convened on April 25, after a month's vacation. A great deal depends upon the success or failure of the conference. With this knowledge well in mind the delegates from the various nations will seek once more to find a solution to the thorny path leading to disarmament. The United States ambassador-at-large, Norman H. Davis, was present at the opening of the conference. A few days before he left for Geneva, Mr. Davis went to Paris where he discussed the question of armaments with Premier Daladier and Foreign Minister Paul-Boncour. Also, it is known that the disarmament problem was one of the topics of conversation between Prime Minister MacDonald and President Roosevelt in Washington last week.

Hoover Forces at Work

The Hoover Republican forces are becoming active. They have started a movement to reorganize the party with the immediate objective of electing a Republican Congress next year. An organization, bearing the name of the Republican Federal Associates, will soon be created in Washington to promote publicity work. It will be headed by former Postmaster General Brown and former Secretary of the Treasury Mills. Only those who loyally and actively supported President Hoover during the presidential campaign will hold offices in the new organization. Mr. Mills and Andrew Mellon are already engaged in politics in Washington. From the side lines they are leading the Republican fight in Congress to combat inflation.

The *Macon* Rises

The *Macon*, sister ship of the ill-fated *Akron*, rose majestically into the sky on her maiden flight last week. The huge airship, which has eight 560-horsepower engines, carried 105 passengers, including the crew, on its first trip. It remained in the air for twelve hours. Naval officials and others on board praised highly the *Macon's* first performance.

Largest in History

The back-to-the-land movement, which has been under way during the last three years, has boosted the American farm population by more than 2,000,000 people. Last year alone, 1,000,000 persons migrated from cities to farms. This recent rural trend has resulted in giving the nation its largest agricultural population in history (32,242,000). The previous mark was established in 1910 when 32,076,000 people tilled the soil for a livelihood. Since 1910, however, there has been a heavy migration from farming regions to the cities, and this movement has been responsible for holding back the growth of the nation's agricultural population.

Church and State

The Hitlerite régime has taken what many believe to be the first step to establish its control over the Protestant churches in Germany. The government has selected Walter Bohm, church law expert, to take charge of all Lutheran church affairs in the state of Mecklenburg-Schwerin. The Supreme Council and the League of Protestant Churches in Germany immediately protested to Chancellor Hitler against this action. But in spite of these protests, it is predicted that the government's next move will be to appoint a federal church commissioner who will have authority to bring all Protestant churches under the domination of the national government just as they were before the fall of the monarchy.

Language Controversy

Finland is engaged in a "language war." The Swedish population of that country is protesting against proposals to make the Finnish language more outstanding in governmental affairs and as a classroom language in Finland's largest school, the University of Helsingfors. The students of the university are now allowed to receive instruction either in Finnish or in Swedish and the Swedish Diet permits both languages to be used among its members—interpreters are furnished to translate from one language to another.

The two-language origin dates back to when Finland won her independence from Russia in 1918. At the time, a large number of Swedish people lived in Finland and as Swedish had been the official language in years gone by, it was thought best to place the two languages on an equal basis. But in more recent years, there has been an ever-increasing desire for the development of a national culture among the Finnish population. A special government committee is now studying the problem. As 350,000 Swedish people live in Finland, they are expected to wage a militant defense to maintain the status of their language in the national life.

Flying Again

Colonel and Mrs. Charles A. Lindbergh are on the first flying journey they have undertaken for many months. Colonel Lindbergh is technical adviser for Transcontinental and Western Air Incorporation, and he and Mrs. Lindbergh plan to visit most of the line's division points on their present flight. Other cities, however, are included in their itinerary. They intend to make the flight of several weeks' duration and to cover many thousands of miles.

News Broadcasts

In order to reduce the competition of radio news broadcasting with newspapers, the annual meeting of the Associated Press, held last week in New York City, passed a resolution limiting future use of news dispatches by the radio. The Associated Press will not give news to the radio companies, nor will it permit member journals to broadcast news. Only short bulletins will be broadcast.

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As the Editor Sees It

THE AMERICAN OBSERVER is given over very largely this week to a discussion of the gold standard and attendant money problems. It could not well have been otherwise, for the monetary question is the question of the hour in America and other nations. It is a problem with many angles and ramifications. It is not easy to understand. Furthermore, it has not often received the attention of the American people. Not since 1896 has there been serious and sustained consideration of the gold standard and its relation to prices. It is natural, then, that there should be doubt and confusion in the public mind. There is confusion not only in the minds of the common run of people but in the minds and utterances of statesmen and editors. But unready as we may be to deal with the problem, deal with it we must. Questions arising from it must be met and answered before international trade can be resumed and before domestic business can go forward on a sound basis.

THE inference may be drawn from the analyses which we make in our main articles of the abandonment of the gold standard and of the inflation bill that the prospect of uncontrolled inflation is slight. That is a fair inference. Inflation of a sort calculated to send prices skyrocketing out of all bounds appears improbable. It is possible, however, for the state of public psychology to affect the situation so as to bring about apparently improbable results.

What will happen, one may well ask, if the public comes definitely to the conclusion that there is to be a rapid advance of prices? What if people throughout the nation take seriously the assertion made by Senator Thomas of Oklahoma, author of the inflation bill, that if put into effect it would cause the value of property held by bondholders and owners of bank deposits and other properties of fixed money value to shrink by $200,000,000,000? What if the people take seriously the senator's declaration that $200,000,000,000 would be transferred from the creditor to the debtor class? Will they, in such a case, be disposed to buy government bonds? Will it not occur to them that a bond for which they pay $1,000 may, if sold in a year, or three years, yield them in purchasing power only half as much as the $1,000 yield today? May it not be that there will be created a public psychology which will make it impossible for the government to raise money by selling bonds?

That would create a very serious situation. The government must have money—money that it cannot raise by taxation. It must have money to carry out its policy of refinancing mortgages. It must have money to carry out a public works program. It must have money to relieve the distress of the unemployed. It proposes to raise a large part of this money by selling bonds. Suppose it cannot sell them. Will it not be forced to issue money to meet these necessary expenses, and if it does that, will the money not depreciate in value? Will the government not be obliged, then, to issue more and more of it to pay for the things it must have, and will this not, then, send us along the road which Germany traveled ten years ago?

Such a course, it must be said, is not contemplated by the administration. It does not seem probable. It will come about only if the public loses confidence in government bonds. The people will not lose confidence if they keep their poise and accept the administration program of controlled inflation at its face value. But it is hard for people to keep their poise when confronted by problems which they do not understand. It is hard for them to distinguish between controlled and uncontrolled inflation. It is especially hard when congressional debates are unrestrained—when senators and representatives make sweeping declarations calculated to raise the hopes of a part of the population and to excite the fears of the rest—hopes and fears neither of which are justified by the relatively moderate proposals of the administration.

AT LAST AN EFFECTIVE TREATMENT FOR SLEEPING SICKNESS

—*Darling in* N. Y. HERALD-TRIBUNE

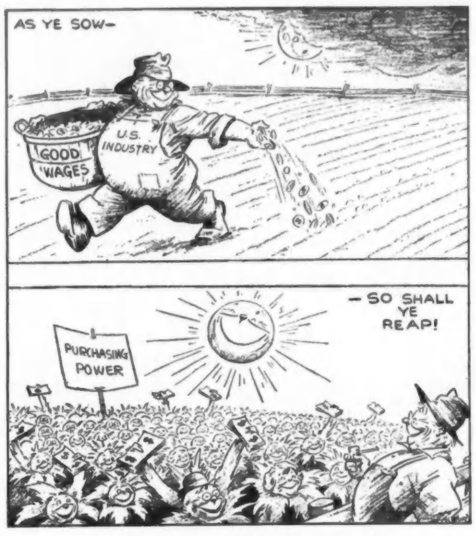
WE ARE approaching the time when there may be a sharp cleavage of opinion on the wisdom of President Roosevelt's course. Thus far there has been almost universal approval. But rumblings of dissent are already heard as the administration program takes shape. Last week John W. Owens, editor of the Baltimore *Sun*, a powerful Democratic daily, sounded a note of warning in a long and conspicuously placed editorial in which he declared that the administration was veering toward a course of almost revolutionary radicalism. As evidence he pointed to the plans for imposing upon industry a six-hour day and a five-day week, to the plans for inflation of the currency, to the proposals, somewhat indefinite yet, but rapidly maturing, that the government shall practically take charge of the industries of the nation, governing not only hours of labor, but wages and output. The editorial declared that we were approaching an experiment of national planning on a vast scale, a program comparable to that carried on by the government in the emergency of world war.

There are indications enough that the administration, in its determination to give employment to the people and to put an end to depression, is willing to experiment radically. There are indications that it will move from one position to another until perhaps many of the old governmental landmarks will be gone. It is clearly possible that we are entering a period of drastic governmental regulation of industry.

Whether that is a matter for alarm or for congratulation depends upon the point of view. It is alarming, according to the ideas of the *laissez faire* philosophy, which teaches that the government should keep its hands off industry, preventing so far as possible crime and fraud and conventional injustice, but refraining from the direction of economic forces.

The experience of the last few years has convinced many people, perhaps a majority, that the practice of *laissez faire* leads to disaster. The working classes might be expected to clamor for governmental control. They have often called for it. Debtor classes might demand it. But now we are witnessing the unusual spectacle of the approval of radical economic measures by many captains of industry—by business leaders, threatened by the collapse of industry, who are willing to see the economic forces of the nation marshalled by the government and controlled from Washington. They are ready for economic planning, if need be, as the one way out.

And so we find ourselves face to face with a struggle between two conflicting philosophies of government. It is possible that we are standing at the threshold of a new economic and political era.



AN OLD ECONOMIC LAW

—*Talburt in Washington* NEWS

A WHILE ago it was announced that Budget Director Douglas had decreed, and that President Roosevelt had approved, a rule by which government employees should be retired automatically after the completion of thirty years of service. There were immediate protests from those who looked upon such a rule as a dangerous precedent, inhumane and unnecessary. It appears now that the rule may not be applied, but that those having served thirty years may be allowed to retire, if they wish to do so.

We hope that the rule has been thus modified. The scrapping of employees who have been long in service, the throwing aside of those who approach old age, whether they are still rendering valuable service or not, constitutes one of the great tragedies of life. All persons with a spark of humanity within them have condemned the heartlessness of employers of labor toward workers of advancing age. The government should be a model employer. To a considerable extent it is a model employer. It does set the pace for private industry, and it would be most unfortunate if it should adopt the rule that all employees, regardless of the quality of their service, should be obliged to step aside after having served for any fixed period.

WE HAVE had a number of letters lately from friends in Germany—from Germans of different classes and occupations, men and women who are intelligent and public spirited. It is interesting to observe that nearly all these letters praise the Hitler régime enthusiastically. There is no question but that a spirit of patriotic fervor, a spirit religious in its nature and in its intensity, is sweeping over Germany. This spirit, as it expresses itself in the thought of millions of German people, is unselfish. It is idealistic.

One may respect the sentiments of people inspired by such emotions, but the admiration the foreign observer may feel need not close his eyes to the dangers inherent in the development of such intensely nationalistic feeling. The Germans are in a fervor of patriotism as they were in the days of the Hohenzollerns preceding the war. They are ready to revive a militarism which constitutes a threat to world peace, whether it is found in Germany or anywhere else. The Germans appear, in many respects, to be back where they were before those fateful days of 1914. They tried democracy for a while. They looked in the direction of world coöperation. They turned their backs upon the Hohenzollern idea. It seemed, while they were in that mood, that at least something had been gained for the world by the war.

Now they are back again. But why are they back? What responsibility for their return to intense nationalism, to militarism, rests upon France, upon England, and upon the United States? That is a question which historians will be debating a century from now. But I will never forget this personal experience: I was in Germany for some time in 1922. I talked with different classes of people. I was entertained in their homes. I listened to their conversations. Everywhere I heard reproaches against the militarism of the kaiser. I heard the old Prussianism blamed for German distresses. I heard enthusiastic acclaim for international coöperation. I was aware of an aspiration for a "new deal" among the nations. I believed at the time, and I believe now, that if this new German democracy had been met by the war victors in a coöperative spirit, it would have grown and flourished.

But it was not so met. It was treated as if it, and not the old Prussianism, had been responsible for the war. It was treated as the Hohenzollerns would have been treated had they maintained their power. Impossible conditions of peace were imposed upon it. It was humiliated. Unable to maintain rights which the Germans thought to be theirs, unable to maintain its dignity in its dealings with foreign nations, the democracy lost in popularity. It came to seem feeble and ineffective to increasing numbers of German people. There burned in an increasing number of German hearts a resentment which grew into bitterness and then into a determination that Germany should return to her old strength, to her old power, and that she should look out for herself.

And then the depression came, and then the reaction. Would it have come in any case? I do not know. No one knows. But we should temper our disappointment over the recent turn of affairs in Germany with the consciousness that the policy of the victor nations following the war undoubtedly contributed to the overthrow of the German republic, and to the undoing of the work of those who died in order to help "make the world safe for democracy."—W. E. M.

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

Recent Books

WHAT IS AMERICAN? By Frank Ernest Hill. New York: The John Day Company. $2.

If the object of Mr. Hill's treatise is to give a clear-cut, definite answer to the question asked in the title, the book is a failure. For when the reader completes the book, he is as befuddled as when he began. He knows no more about what a real average, or typical, American is than before he read the book. But, if, on the other hand, Mr. Hill's object is to set forth certain dynamic forces in our history which have affected the people of the United States, he has accomplished his purpose. So although we may not have a clear idea about "What is American" after following Mr. Hill through his discussions, at least we have a better idea about the conditions which make Americans different from other peoples.

Our national character, according to Mr Hill, has been greatly shaped by our contact with the Indians and the Negroes. The contributions made by these two races to American civilization are set forth in detail. The climatic conditions—sudden changes from one extreme to another—the religious influences, the effect of the frontier, and the fundamental idea of democracy—these are the main forces acting upon the so-called American since the early days of our national life.

Mr. Hill advances few new ideas in his book. Most of what he says has already been stated before by writers on social, political and economic subjects. His section on the effect of the frontier, for example, is a restatement of that admirable thesis advanced by Professor Turner several decades ago. But, in spite of its apparent limitations, and in spite of its failure to answer the perplexing question, Mr. Hill's book is worth while in that it does raise a question in the minds of Americans as to what they really are and how they became what they are, and in that it tends to focus attention on important social trends throughout our history.

SOUTH MOON UNDER. By Marjorie Kinnan Rawlings. New York: Charles Scribners Sons. $2.

Of the countless sectional novels written recently, few merit a higher place than this work of Mrs. Rawlings. It is the story of a section of the South heretofore ignored in American fiction, the scrub lands of Florida. The people who inhabit this region and around the lives of whom the plot of this novel is spun, are beyond the pale of civilized society. They are a rough and ready lot, illiterate and raw, but possessed with a primitive sense of justice, loyalty and friendliness.

The story concerns itself with three generations of Lantrys, the father Lantry, his daughter Piety, and her son Lant Jacklin. Old man Lantry came to the scrub land from the Carolina mountains after having killed a revenue agent. He dies early in the story, and the remainder of the book is devoted to the experiences of Piety and her son. The book is replete with dramatic incidents which hold the attention of the reader. There are struggles with outsiders who transgress against the traditions of the clan; there are skirmishes with prohibition agents who try to put an end to moonshining; and an abundance of similar episodes.

But the strength of "South Moon Under" does not lie in its plot but rather in its description of the country and the people. Mrs. Rawlings appears to recognize this, for she does not allow herself to twist and overemphasize the narrative for purposes of effect. The reader who wants to get away from the humdrum of everyday life for a few hours, the reader who enjoys alligator hunts, settings of rattlesnakes, deer, struggles for life and death on a river raft, and other experiences equally gripping, will find "South Moon Under" a real treat.

THE JUNIOR OUTLINE OF HISTORY. By I. O. Evans. New York: D. Appleton Company. $2.

Several years ago, H. G. Wells, one of the best known of English authors—a writer of novels and books on economics, politics and science—wrote a history of the world which he called "The Outline of History." It was a two-volume work, and was later condensed into one volume. It was very interestingly written, and told the story of mankind from the very earliest times to the present. The first chapters dealt, in fact, with the period in the earth's history before human beings had come into existence. This book was widely read, and as a result of it many people for the first time became interested in history.

Now this famous history by H. G. Wells has been worked over and prepared especially for younger readers. I. O. Evans secured from Mr. Wells permission to take the facts as they were found in the original book and rewrite the story of mankind in terms more readily understandable by the inexperienced readers of history. High school students will find the "Junior Outline of History" very interesting, and if they read it will gain a far better understanding than they now possess of the great problems confronting the human race at the present time. The author has taken special pains to show in the course of his story how these problems have arisen and developed. The book should have a place in all high school libraries.

Courtesy Corcoran Gallery of Art

DUE CONSIDERATION MUST BE GIVEN THE NEGRO IN ANSWERING THE QUESTION, "WHAT IS AMERICAN?"

Magazines and Newspapers

DO WE NEED MINIMUM WAGE LAWS? By Frances Perkins and Others. *Forum,* May, 1933. Rather than a formal article on the pros and cons of minimum wage legislation, this is a discussion of various aspects of the problem by Miss Perkins and other individuals of broad experience in the field of social and industrial questions — Mary W. Dewson, chairman of the Labor Standards Committee of the National Consumers' League; George Alger, member of the New York Bar, and chairman of the New York State Commission on the cloak and suit industry; Charles J. Brand, economist and president of the Washington Trade Association Executives; Joseph P. Chamberlain, professor of Public Law in Columbia University; Merwin K. Hart, president of the New York State Economic Council; and Lew Wolman, professor of economics in Columbia University.

A discussion of this kind is particularly timely now because of the increased demand for minimum wage laws for industry in most of the states; the president's sympathy for such legislation; the possibility of national legislation fixing minimum wages as embodied in an amendment to the Black thirty-hour-week bill; and the general drift toward greater social control of industry. While not delving profoundly into the many ramifications of the subject, the discussion does give the reader a clearer understanding of both sides of the subject.

WHEN THE SHOOTING IS OVER IN THE PACIFIC. By Upton Close. *Scribners,* May, 1933. Mr. Close, an astute student of Far Eastern affairs, takes a bird's-eye view of the present situation in Asia and develops his thesis as to the probable long-range developments in the Pacific. That thesis he has best stated by quoting the words of a Japanese railway executive who declared some time ago: "If our military win, the whole Pacific is ours; if they lose, communist revolution must follow and we become part of the Soviet Union. That perhaps is the ultimate solution to our economic isolation. All the loss of blood and treasure considered, either eventuality is better than the present strangulation."

In this writer's opinion, the possibility of a communist Asia is very real. Already he sees manifold tendencies in that direction which, he believes, will continue to develop and result in an epoch-making revolution in the history of the world. The renaissance of Asia will be just as important in its universal repercussions as was the renaissance of Europe several centuries ago, and will definitely lead to the Pacific Era in world history. In an attempt to refute the argument that nations so fundamentally opposed as Japan and Soviet Russia could never unite under the banner of communism, Mr. Close declares:

> At first gap it would seem impossible that Moscow could admit into its body economic such a numerous and homogeneous racial group, or that the Japanese would modify nationalism sufficiently to become part of a greater system. Yet the more one studies them, the more possible these things appear. Already there are enough Japanese who have changed their belief in the infallibility of the Son of Heaven to belief in the infallibility of Marx and transferred their "obedience unto death" to Moscow, to show that the thing can be done. In fanatic idealism, rigid discipline, stern training, and a complete freedom from the basic Anglo-Saxon conceptions of sacredness of property and individual rights, Japanese are the world's ideal populace for the Marxian experiment. Until the recent seizure of Manchuria, Moscow was turning eagerly to Japan for technical assistance. Russia is a congeries of races. She contains much Tatar stock. Racial differences do not perturb her. If the Soviet Union can embrace the Moslem republic of the Caucasus, the Tatar republic of Kazan and the Mongol confederacy of Outer Mongolia, it should have no difficulty in embracing a converted Nippon.

AN ILLUSTRATION FROM "THE JUNIOR OUTLINE OF HISTORY"

THE GOLD STANDARD. The following are excerpts from editorials in some of the leading newspapers of the country after formal abandonment of the gold standard. The most widely expressed opinion appears to follow that of the Baltimore *Sun,* which has preferred to defer judgment of the administration's action until a more clear-cut policy is outlined. While commending the step only in a cautious and restrained tone, they are careful not to criticize the administration until they see what happens. States the *Sun*:

> Perhaps the first thing to say about yesterday's news that this country is now "formally" off the gold standard is that the upward flurry in the stock and commodity markets ought not to be taken too seriously just yet. We need to know more about the administration's plans. . . . And perhaps the next thing to say is that our going off gold does not in itself mean any extreme form of inflation. It does not mean that we shall start the printing presses to turning out money. . . . Perhaps all that is certain is that it is a mistake to read extreme meanings into this prohibition. It can either mean much or little, depending upon the "follow up."

A number of journals, however, appear dismayed at the action taken and criticize the president for embarking upon what they call a "hazardous" course. The Portland *Oregonian* represents this view:

> There is no magic in inflation that makes a dollar roll in opposite directions at the same time. If cheapening of it is balanced by rise in domestic prices, the cheap dollar, or its equivalent in foreign money, will buy no more for export than did the dearer dollar. Inflation optimists must take their choice between imagining a boom in home prices and imagining a boom in exports until we find out what really happens. It is more certain that in so far as we decrease the exchange spread between our own currency and foreign currencies to that extent we repair the tariff wall. The Democratic administration gives us the effect of compensating duties against imports from depreciated currency countries, but saves its tariff face with an otherwise hazardous experiment.

PRONUNCIATIONS: Macon (may'kon), Daladier (dah-lah'de-ay), Peiping (pay-ee-ping'), Tientsin (tee-en'tseen).

The "New Freedom" and "New Deal" Concepts

By David S. Muzzey and Paul D. Miller

HAVING traced the development of the liberal movement in American politics, we turn our attention this week to a comparison between the early part of the Wilson administration —the period from his inauguration to America's participation in the World War—and the early trend of the Roosevelt administration, as shown by the last two months. Both Woodrow Wilson and Franklin D. Roosevelt brought new philosophies of government to the White House, philosophies which broke definitely with traditions of the past and demanded drastic changes in the order of things. The Wilsonian philosophy of government centered on his conception of the "new freedom" which the Princeton educator had promised during the campaign. Similarly, the Rooseveltian philosophy was contained in his doctrine of a "new deal." In many respects, these two concepts of governmental duty converge and, as we shall see, the two chief executives held similar objectives in demanding legislation. In other ways, however, there are fundamental differences between the two philosophies.

Ideal of "New Freedom"

As we pointed out last week, Woodrow Wilson was one of the great exponents of liberalism or progressivism. To Wilson, the "new freedom" which he had promised during the campaign, meant the wresting of power from the special interests and restoring it to its rightful owners, the general population. His philosophy was that the government should wield its power to benefit the many rather than the few. He was determined that legislation should no longer be enacted solely for the enrichment of the great corporations, the financial titans, the railroads—in a word, the favored business and industrial community—but that it should have as its primary objective the welfare of the masses, the small business man, the farmer, the industrial workers. In speaking of the state of affairs existing at the time of his ascendancy to the presidency, Wilson declared:

> Suppose you go to Washington and try to get at your government. You will always find that while you are politely listened to, and men really consulted are the men who have the biggest stake—the big bankers, the big manufacturers, the big masters of commerce, the heads of railroad corporations and of steamship corporations. . . . The government of the United States at present is a foster-child of the special interests.

Wilson's "new freedom" was designed to end all this. The first step was taken shortly after his inauguration when he called Congress into special session to enact tariff legislation. Wilson demanded a reduction in the import duty rates. The high tariff existing under previous administrations worked hardships upon the mass of the people and benefited the concerns whose products were protected. The industrial concerns were able to charge higher prices for their goods, thus draining money from the pockets of the general consuming public to the coffers of big business. When the bill, which provided for drastic cuts in the tariff schedule, came before the Senate the lobbyists started their work. They tried to prevent the enactment of the measure. At that time, Wilson made a public appeal against tinkering with the original bill and decried the practices of the "numerous, industrious and insidious lobby." In this first skirmish with Congress, the president was victorious and the bill was enacted into law and became effective a few months after he assumed office.

Achievements of Wilson Administration

The second major piece of legislation of the Wilson administration was the creation of the Federal Reserve banking system in 1913. Among other things, the law was designed to break the "money trust," or New York bankers who had almost complete power in the fixing of interest rates. For several decades, people in the west had clamored for reforms in the banking system which would prevent the concentration of money in Wall Street. The establishment of twelve regional banks, each to function as a reservoir for bank surpluses, prevented the recurrence of many of the abuses which had been under the national banking system established in 1863. The government had again thrown its weight against the special interests.

The other measures pushed by Wilson were all designed to carry out his one broad policy. The creation of the Federal Trade Commission was designed to enable the government effectively to control the huge corporations which were in a position to fix prices through monopoly, snuff out the "little man" and exploit the general public. The Clayton Anti-Trust Act, enacted about the same time, tightened the restrictions of the Sherman law of 1890 and dealt a further blow to the big trusts.

That Wilson's sympathies were with the workers and farmers and lower middle class was further evidenced by his subsequent proposals and practices. The Farm Loan Act enabled the farmers to borrow money through a government agency at lower rates of interest than those demanded by the private banking institutions. The president held that the organization of labor and farm groups was not in violation of the anti-trust laws, and exerted all possible pressure to prevent the issuance of injunctions in labor disputes save in the most extreme cases. The "small man" was shown further consideration in the Adamson law which established the eight-hour day for railroad employees engaged in interstate commerce.

Wilson had, when he assumed the presidency, a definite aim to work out a new industrial order. He was determined to bring about by appropriate legislation a leveling down of large incomes and a more equitable distribution of the nation's wealth—a process begun by Theodore Roosevelt. Numerous pieces of social legislation, such as those he had advocated as governor of New Jersey—workmen's compensation, the creation of a public utilities commission, tax reforms to benefit the average citizen—would undoubtedly have been pushed had not the World War intervened. There is no telling how far he might have gone on the road of social and economic reform, for as President Roosevelt says, "Had Wilson been able to devote eight years to domestic instead of international affairs, we might have had a wholly different situation at the present time."

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WOODROW WILSON—EXPONENT OF THE "NEW FREEDOM"

Rooseveltian "New Deal" Philosophy

Whereas Wilson's underlying belief seems to have been that economic and social justice could best be obtained by the decentralization of power—the breaking up of trusts, the creation of the Federal Reserve System and other measures—in order to restore the old system of competition, the "new deal" philosophy of Roosevelt, in so far as it may be determined from his public pronouncements and legislative recommendations, is pregnant with deeper implications. His, from all indications, is the more radical program. In order that the general welfare may be advanced, that the farmer and laborer and small business man may share more equitably the product of industry, that the "forgotten man" may come into his own in the "new deal," Roosevelt believes that a revamping of our economic system is essential. In setting forth this philosophy during the campaign, the president declared:

> Our task now is not discovery or exploitation of natural resources or necessarily of producing more goods. It is the soberer, less dramatic business of administering resources and plants already in hand, of seeking to reëstablish foreign markets for our surplus production, of meeting the problem of underconsumption, or adjusting production to consumption, of distributing wealth and products more equitably, of adapting existing economic organization to the service of the people.

And, elaborating upon this idea in the same address, he stated:

> Every man has a right to life, and this means that he has also a right to make a comfortable living. He may by sloth or crime decline to exercise that right, but it must not be denied him. Our government, formal and informal, political and economic, owes to every man an avenue to possess himself of sufficient for his needs through his own work. Every man has a right to his own property, which means a right to be assured to the fullest extent attainable, in the safety of his earnings. By no other means can men carry the burdens of those parts of life which in the nature of things afford no chance of labor—childhood, sickness, old age. In all thought of property, this right is paramount; all other property rights must yield to it. If, in accordance with this principle, we must restrict the operations of the speculator, the manipulator, even the financier, I believe we must accept the restriction as needful, not to hamper individualism but to protect it.

This is a far cry from the old concept that the government should not meddle in private affairs but should let private enterprise operate unfettered. It is even a step beyond the "new freedom" philosophy of Wilson and was adopted because of the multitudinous changes that have been wrought in the structure of our society during the last twenty years.

It is impossible to forecast the lengths to which President Roosevelt will go in order to carry out his promise of a "new deal." The measures already presented to Congress, as we have outlined them in THE AMERICAN OBSERVER, clearly presage a greater degree of social control and drastic reorganization than the country has ever known in time of peace. The regimentation of industry, the heavy restrictions on bankers and officers of trust, the recruiting of unemployed workers, the relief of distressed farmers and other debtors, the direct aid to the destitute—all these projects, and the numerous other Roosevelt proposals, indicate that the president intends to use, as it has never been used before, the power of the federal government to reorient the economic resources of the nation for the benefit of the greatest number of people.

Notes on a Number of Things

"The time has come, the walrus said, to speak of other things;
Of ships and shoes and sealing wax, and cabbages and kings."

Washington is still a mecca for visitors from every state. They came by the thousand at Easter time. They are still coming, and well they may. The Japanese cherry trees which fringe the Tidal Basin have shed their blossoms, but there is a later blooming variety of the Japanese trees lining the little peninsula known as Hains Point, which separates the Potomac from the Basin. These trees are in full bloom. And the dogwood is coming out, and so is the red bud; the parks with which the capital is so plentifully supplied, are gay with white and pink and tender green. It is a beautiful and peaceful capital; this city, old and yet new, sleepy in its southern atmosphere, is yet alive with the bustle and bluster of politics, national and international.

* * *

Among the visitors to the capital at this time of year are delegations of high school students. They come from the whole northeastern part of the country; from as far away as Chicago and other middle-western cities. There will be more of them in June, but they are coming now by bus and train. Sometimes an entire senior class will come. Perhaps the class has been raising money for the event during the four high school years. It is not unusual to see a group of a hundred or even several hundred boys and girls from some city high school. They spend two or three days of intensive and instructive sightseeing, under supervision of several faculty members and with the help of professional guides. These trips can be made more cheaply than might be expected. I was talking the other day with an instructor who had accompanied a group from Evanston, a suburb of Chicago. The entire trip, he said, cost each person about $38. This included railway fare both ways, meals on the train, rooms and meals at a hotel during the two-day stay in Washington, and the services of buses and guides.

* * *

I chanced to sit quite near Prime Minister MacDonald at the luncheon given for him by the National Press Club, and enjoyed the opportunity of watching him quite closely during the luncheon and his address. He seemed stronger than I had expected, in the light of recent reports of his rapidly failing health. His eyes appeared quite normal, though I understand that he cannot read much any more. His hair is gray, his shoulders are stooped, but he seems vigorous enough, and he speaks with considerable force. He has, I think, lost some of his old fire, which is not strange in the light of his recent political experiences. Throughout his life he has been a radical, a socialist, a pacifist. He was ostracized for his views during the war. He helped found the Labor party, led it to its first national victory, and became its first prime minister. Then he broke with his party a year ago last fall. He remained as prime minister but with a cabinet predominantly Tory. He works now with men who have always fought everything he has stood for. He is fighting the men with whom he used to stand shoulder to shoulder. Whether he is right or wrong in his recent political maneuverings, such experiences are enough to take the fight out of any man.

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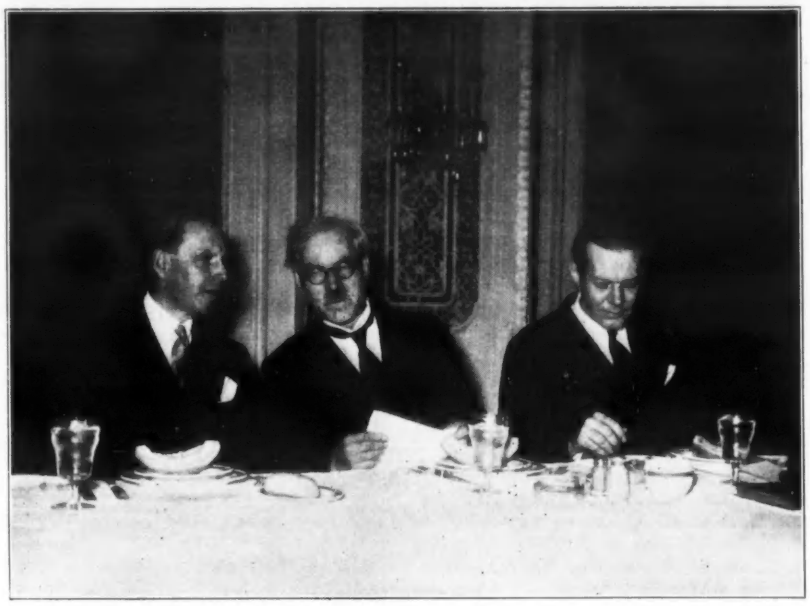

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THE BRITISH PRIME MINISTER SPEAKS TO THE AMERICAN PRESS

Former Premier Herriot is obliged to carry on most of his conversations in Washington with the assistance of an interpreter. He does not speak English. President Roosevelt speaks French, however, in these conferences. It is not a strange thing for an American statesman to lack a command of a foreign language. Americans do not go in for languages to any considerable extent. They do not feel the need of a second tongue. The country is large. Foreign neighbors are not near at hand. The need for conversation in another language is not strikingly apparent. It is otherwise in Europe, and in most countries it is customary for children in the schools to acquire, not a smattering, but a real familiarity with foreign languages. Statesmen can generally converse in several tongues. But this is not true of the French. They are a very self-contained people. They think that if other people wish to talk to them, they can speak in French. The French language, French books and papers are good enough.

* * *

I saw "Cavalcade" the other day at the new Radio City Music Hall in New York. Perhaps the immensity of the theater and the beauty of it, luxurious yet well proportioned, had something to do with my impression of the picture. I do not know. But at any rate, I was moved by "Cavalcade" as I seldom have been by a screen performance. This picture is a terrific indictment of war. Not that there are harrowing scenes of blood or sorrow; the story is powerful largely because of its restraint. But there is an atmosphere of reality throughout. The acting is most unusual. The play is mechanically admirable. The effects wrought by war on an English family—that is the theme, but this family is seen to symbolize all the families of the world; families caught as this one was, by the great forces which move so inevitably and so ominously. I left the hall with a determination to work harder than I had ever done to promote the conviction that the United States must not go to war *with anyone at any time for any cause.*

* * *

It is a matter of interest and some concern about Washington that the government, while threatening to impose a thirty-hour week upon private employers, and while urging the passing around of jobs to as many as possible, is working some of its own employees overtime. A stenographer and a clerk in the Reconstruction Finance Corporation, both working far into the night, the stenographer suffering at last from a nervous breakdown; a stenographer in a branch of the new forestry service resigning her position because of night and day duty without extra pay; an executive in the same department working into the morning hours—all these cases come from within one small circle and all this overtime work is going on while unemployed workers in the same class clamor for jobs and while governmental leaders demand that industry conform to the six-hour day! But the administration is moving swiftly and it is perhaps inevitable that inconsistencies should appear occasionally.

—*The Walrus.*

THE MONTHLY TEST

Covering issues of April 5, 12, 19 and 26.

Below you will find the names of ten persons who have been mentioned in The American Observer during the past four weeks. In the second column is a list of descriptions, ten of which fit one or another of the names. The problem is to fit the appropriate description to each name. For instance, if Mooney is a strong advocate of the free coinage of silver, your answer to the first question would be (O).

1. Mooney (O) a strong advocate of the free coinage of silver.
2. Morgenthau (L) American secretary of state.
3. Herriot (Q) ambassador to Spain.
4. Wallace (K) has been granted a new trial after sixteen years in prison on a life sentence.
5. Bowers (X) the first woman to receive a U. S. diplomatic post.
6. Lehman (Z) a Harvard professor who is aiding President Roosevelt in working out a tariff policy.
7. McAdoo (I) head of the new Farm Credit Organization.
8. von Papan (M) ambassador to England.
9. Wheeler (T) governor who fought to keep liquor control out of politics.
10. Owen (R) former premier who has come to Washington to confer with President Roosevelt.

(S) has abolished the secret service division of the Department of Labor.
(F) senator who was secretary of the treasury under Wilson.
(J) cabinet member active in formulating farm relief plans.
(Y) has received permanent appointment as attorney-general.
(H) European statesman who recently visited Rome.

In the case of each of the following ten questions, make up your mind which phrase, if used to complete the sentence, would make it a true statement of fact; then write on your answer sheet the number preceding that phrase. For instance, in question 11, if the true statement is: "The chief obstacle to recognition of Russia by the United States has been the fact that the Soviet government has failed to gain full control of the state," the answer to the question would be (1).

11. The chief obstacle to recognition of Russia by the United States has been the fact that the Soviet government (1) has failed to gain full control of the state (2) does not represent the majority of the people (3) encourages communist propaganda in other countries (4) is socialistic.

12. In return for her consent to a revision of boundaries the Mussolini plan offers France (1) a guaranty against attack (2) additional territory (3) increased naval strength (4) trade concessions.

13. The farm relief program includes a provision for (1) a moratorium on farm debts (2) fixing the price on farm products (3) purchasing surplus wheat and cotton by the government (4) refinancing farm mortgages at a lower rate of interest.

14. It is possible that the thirty-hour workweek bill, if passed, will be declared unconstitutional by the Supreme Court on the ground that (1) the Constitution makes no provision for regulating interstate commerce (2) Congress does not have the power to regulate conditions of labor (3) a similar law has already been declared unconstitutional and the Court cannot reverse a decision (4) the law would interfere with trade between states.

15. President Roosevelt expects to ask Congress to give him power to (1) take control of the railroads (2) negotiate binding tariff agreements with other nations (3) fix prices (4) cancel the war debts.

16. The method adopted by the Hoover administration to combat the depression was to (1) appropriate money to the states as gifts for relief purposes (2) inflate the currency (3) make loans to financial institutions and private enterprises that were self-liquidating (4) establish federal employment agencies.

17. The meeting of the World Economic Conference comes as an outgrowth of (1) the disarmament conference (2) the September meeting of the League of Nations Assembly (3) the war debt controversy in December (4) the Lausanne Conference on German reparations.

18. Great Britain will find it difficult to negotiate trade agreements with other countries because (1) she is a free trade country (2) she has made preferential trade agreements with the dominions (3) she is off the gold standard (4) she is bound by a treaty with Russia.

19. Despite her withdrawal from the League of Nations Japan insists upon retaining her mandate over (1) Iraq (2) Korea (3) Syria (4) the German Pacific Islands.

20. The proposed legislation for the development of the Tennessee Valley includes provision for government operation of Muscle Shoals, which has long been advocated by (1) ex-President Hoover (2) Senator Borah (3) Speaker Rainey (4) Senator Norris.

For the following group of ten questions read the descriptions in column 1. Then select the proper name for each description from the list in column 2. For instance, if Warsaw is the city in which the World Economic Conference will be held, the answer to question 21 would be (10).

21. The city in which the World Economic Conference will be held.

22. A lofty mountain peak over which airplanes recently flew for the first time.

23. A strategically located island in the Pacific under Japanese mandate.

24. A German state of which Hitler has made himself governor.

25. One of the first states to ratify the congressional bill repealing the eighteenth amendment.

26. A state which has voted to secede from the commonwealth of Australia.

27. An island recently awarded to Denmark by a World Court decision.

28. The country to which the first woman minister from the United States has been appointed.

29. A city where six Englishmen were tried on charges of conspiracy to wreck government power plants.

30. An American city famous for it Japanese cherry blossoms.

1. Prussia
2. Guam
3. Victoria
4. London
5. Denmark
6. Mt. McKinley
7. Los Angeles
8. Paris
9. Western Australia
10. Warsaw
11. Aconcagua
12. Bavaria
13. Moscow
14. Norway
15. Yap
16. Philadelphia
17. Iceland
18. Washington
19. Queensland
20. Michigan
21. Argentina
22. Greenland
23. New York
24. Geneva
25. Everest

Gold Standard Abandoned by U. S. As Means of Raising Price Level

(*Concluded from page 2*)

of this much paper money would make money so plentiful as to render it cheaper and that the step might therefore debase the dollar, or in other words, raise prices—decrease the amount of commodities that a dollar would buy. Advocates of so-called "sound money" are shocked at this provision. They say that it threatens our money standards, that it threatens to start us on the road of currency depreciation such as was followed by Germany in 1922.

A close examination of the provision indicates that the hopes of its advocates and the fears of its opponents may both be exaggerated. The $3,000,000,000, if issued, are to be spent for the purpose of retiring government bonds which become due for payment. Most of the bonds outstanding are held by banks. As things stand now, when government bonds come due the government borrows more money to pay the bondholders. It issues new bonds to take the place of the old ones. If this provision is enacted and used, the government, instead of issuing new bonds to take the place of the old ones, will pay the bondholders in money—newly printed money. The operation will be similar to that of the "open market operations." It will give the bankers more money than they have had (and fewer bonds), but whether they will put this money into circulation, thus increasing purchasing power, thus stimulating business, and thus tending to raise prices, will depend upon whether there is at the time a profitable opportunity for lending money they have acquired.

Devaluating the Dollar

(c) The president is given authority to reduce the gold content of the dollar by as much as 50 per cent. He may do this in agreement with other nations. If this provision were carried out to the full we might return to the gold standard again, but the paper dollars in circulation then could be exchanged, not for about twenty-five grains of gold each, but for half that amount. It might be supposed that if the amount of gold in the dollar were thus cut in half each dollar would be worth but half as much. It might be supposed that the dollar would be exchangeable for but half as much in terms of goods—half as much wheat or food or clothing. In other words, it might be supposed that prices would double. But that does not necessarily follow. Prices, as we have seen, are not determined wholly or mainly by the amount of gold in the dollar. They are determined by the amount of dollars in circulation taken together with the way these dollars are used. It would be possible, if the gold content were reduced, to issue more paper dollars redeemable in gold. It would be possible to issue more dollars with the existing gold supply, but would these dollars, as a matter of fact, be issued, and if they were issued, would they be put to use? That would depend largely upon whether the banks holding the money could and would lend it. And that in turn would depend upon whether business men could borrow the money, put it to use and make more money with it. It would depend, in other words, upon the state of business.

Silver Money

(d) The president is authorized, further, to accept silver in payment of the war debts, up to $100,000,000, and to put this silver into circulation as money. This might tend to inflate the currency and raise prices, or it might not. More money would be made available for use, but whether or not it would be used would depend upon the state of business.

Inflation that Inflates

Is there not, however, a possibility that so much paper money will be issued that it will become relatively worthless? That happened in Germany after the war. German marks came to have but a very small fraction of their former value. It happened in France. French francs came after a while to have but a fifth of their former value. Might that not happen in this country? Conceivably it could. As we have seen, it would depend on how much money was issued and upon whether it was actually put into circulation. We have said in preceding paragraphs that money might be issued and yet not get into circulation. But suppose the government instead of following such plans as the present inflation bill calls for, should issue billions of dollars worth of irredeemable paper money and should use that money to finance public works or to relieve the distressed, or to pay the regular bills of the government. The money would then find its way into the hands of the public. It would enable the public to buy things. This increased buying would raise prices. The dollar would go down and prices would go up. If more and more money were issued in that way, it is conceivable that the dollar value might go down to almost nothing and that prices might skyrocket as they did in Germany. If such a thing were to happen it would, of course, ruin creditors. It would ruin people with fixed incomes. It would be as upsetting as the inflationary movement in Germany was a decade ago.

Uncontrolled Inflation

There appears at this time no likelihood that such a thing will happen. When a country is off the gold standard, when its paper money is no longer exchangeable for gold, there is certainly a strong temptation for those who are in charge of the government to set printing presses to work. The temptation is greatest when the government is running behind with its expenses, when it is hard to find money to meet the government's bills. It is an easy thing to do, then, just to issue paper money and pay the bills. When once this is started, public confidence is shocked. People are less certain that the money will ever be redeemed in gold. They fear it will depreciate in value. If they get hold of a dollar they try to get rid of it at once before it depreciates. This causes the dollar value to fall rapidly and the government finds that it must issue still more money, since each dollar that it has issued will pay for a smaller and smaller part of the bills. And so we find the process of uncontrolled inflation going on.

The temptation to do a thing of that kind at this time is lessened by the fact that government expenses have been rigidly cut down and that the budget has been balanced. The government is meeting its ordinary expenses by taxation, so the probability that it will put the printing presses to work to meet its ordinary bills appears slight. There is the possibility, of course, that money might be issued to pay the expenses of unemployment relief. But at present there seems no prospect that money for this purpose will be raised otherwise than through the issuing of bonds.

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SECRETARY OF STATE HULL WELCOMES FORMER PREMIER HERRIOT AT THE STATION IN WASHINGTON

What Is Coming?

The question remains as to whether the president intends to use the powers given him by the inflation measure. Some say that he does intend to use them, or that he would not have asked for them. They say that whether he intends to do it or not, he will be forced to use them by pressure from the inflationists. Others say that he does not intend to use them, that he is not an inflationist, that he saw that Congress was about to run away on the road to inflation and that he is getting the matter turned from the hands of Congress into his own hands, with the power to inflate, but without the intention to do so.

A more likely answer to the question appears to be that the president does not yet know what he will do. He is determined to raise prices. He probably hopes that he can stimulate business and raise prices without greatly inflating the currency. If the government borrows money and enters upon construction projects, employing millions of men, it will be putting money into circulation, but without actually creating more money. It will be using the government credit to put to work money which is already available, but which cannot be put to work by private industrial organizations because they feel that they cannot safely borrow and invest more money. This will be an inflation of credit rather than an inflation of currency. It will be the kind of inflation which took place during the World War, when the government borrowed money from its people by issuing bonds and put that money to work by raising armies and buying supplies. The president also has in mind, according to apparently reliable information, a vast project for stimulating private industry. Perhaps the government itself may lend money to business enterprises, guaranteeing them against loss in case they comply with regulations laid down as to wages, hours of labor and quantity of output. This would be a tremendous plan for the government control of industry; comparable to that exercised by the War Industries Board during the World War.

The president probably hopes to stimulate industry, to increase the purchasing power of the people, to start buying on a large scale, and thus to raise prices, by such a plan of credit inflation. If this does not work he may intend to inflate the currency, trying first one device and then another, with the determination to find a means whereby prices may be raised.

MAC DONALD-HERRIOT VISIT

(*Concluded from page 1*)

nearly all the currencies have been cut loose from gold and fluctuate with relation to gold and with relation to each other.

For that reason, trade among the nations has become very difficult. It has almost ceased, for merchants no longer know in advance what goods in a foreign country will cost. They cannot make their plans and so they confine their activities to their own countries. Industries which depend upon markets in other lands suffer. Those engaged in such industries lose their profits, close their plants, dismiss their employees. The depression is everywhere being intensified by this breakdown in international trade.

And so, it is not to be wondered at that President Roosevelt and his guests are talking about this currency question. Can all the nations of the world be put back on the gold standard again? If so, on what basis? An English pound used to be worth $4.86 times as much as the dollar. If the currencies are to be put back on a steady basis again, what shall be the new ratio between the dollar and the pound, between the dollar and the franc, between the pound and the franc, between all these currencies and the German mark?

Nature of the Problem

It makes a very great difference how these questions are decided. If, under a new valuation, the dollar were given a very low value in comparison with the pound, an Englishman could exchange his pound for more dollars than is now the case. This would make it easier for him to buy American goods valued in dollars. It would stimulate American export trade but would hurt the British producers. The British do not want such a thing to happen. And the Americans do not want the opposite to happen. The same kind of problem exists as between all the different currencies. That is what makes the question of rendering stable relations between the different currencies of the world such a very thorny problem. And yet some answer must be found to the problem if world trade is to be restored and if, as a result of the resumption of normal commercial relations among the nations, better times are to come to the peoples of the world.